NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	Group 2011	Group 2010	Municipality 2011	Municipality 2010
2. Inventories				
Consumables and maintenance materials	6 817 976	8 197 380	6 817 976	8 197 380
Water	250 948	205 680	250 948	205 680
	7 068 924	**8 403 060**	**7 068 924**	**8 403 060**
3. Consumer debtors				
Gross balance				
Water	26 609 883	26 626 566	26 609 883	26 626 566
Sanitation	3 223 297	3 696 157	3 223 297	3 696 157
Solid waste	1 503 517	1 321 136	1 503 517	1 321 136
	31 336 697	31 643 859	31 336 697	31 643 859
Less: Provision for debt impairment				
Water	(18 352 305)	(14 491 662)	(18 352 305)	(14 491 662)
Sanitation	(2 185 916)	(2 117 706)	(2 185 916)	(2 117 706)
Solid waste	(569 621)	(494 727)	(569 621)	(494 727)
	(21 107 842)	(17 104 095)	(21 107 842)	(17 104 095)
Net balance				
Water	8 257 578	12 134 904	8 257 578	12 134 904
Sanitation	1 037 381	1 578 451	1 037 381	1 578 451
Solid waste	933 896	826 409	933 896	826 409
	10 228 855	14 539 764	10 228 855	14 539 764
Summary of debtors by service type				
Water				
Current (0 - 30 days)	5 813 248	6 306 067	5 813 248	6 306 067
31 - 60 days	2 582 025	2 908 507	2 582 025	2 908 507
61 - 90 days	1 551 187	1 069 867	1 551 187	1 069 867
91 - 120 days	1 270 673	873 668	1 270 673	873 668
> 120 days	15 392 750	15 468 457	15 392 750	15 468 457
Less: Impairment	(18 352 305)	(14 491 662)	(18 352 305)	(14 491 662)
	8 257 578	12 134 904	8 257 578	12 134 904
Sanitation				
Current (0 - 30 days)	(26 072)	326 393	(26 072)	326 393
31 - 60 days	213 878	195 555	213 878	195 555
61 - 90 days	136 574	128 566	136 574	128 566
91 - 120 days	169 765	106 701	169 765	106 701
> 120 days	2 729 153	2 938 942	2 729 153	2 938 942
Less: Impairment	(2 185 917)	(2 117 706)	(2 185 917)	(2 117 706)
	1 037 381	1 578 451	1 037 381	1 578 451
Solid waste				
Current (0 - 30 days)	734 296	596 011	734 296	596 011
31 - 60 days	141 424	225 674	141 424	225 674
61 - 90 days	86 218	119 617	86 218	119 617
91 - 120 days	71 848	78 877	71 848	78 877
> 120 days	469 730	300 957	469 730	300 957
Less: Impairment	(569 620)	(494 727)	(569 620)	(494 727)
	933 896	826 409	933 896	826 409

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	Group 2011	Group 2010	Municipality 2011	Municipality 2010
3. Consumer debtors (continued)				
Summary of debtors by customer classification				
Domestic Consumers				
Current (0 - 30 days)	4 005 710	2 759 524	4 005 710	2 759 524
31 - 60 days	1 511 225	1 298 614	1 511 225	1 298 614
61 - 90 days	927 413	600 708	927 413	600 708
91 - 120 days	764 454	797 371	764 454	797 371
> 120 days	14 885 853	14 006 785	14 885 853	14 006 785
	22 094 655	19 463 002	22 094 655	19 463 002
Less: Provision for debt impairment	(19 833 086)	(15 494 523)	(19 833 086)	(15 494 523)
	2 261 569	3 968 479	2 261 569	3 968 479
Industrial/Commercial				
Current (0 - 30 days)	1 385 154	949 608	1 385 154	949 608
31 - 60 days	717 405	528 054	717 405	528 054
61 - 90 days	166 003	394 064	166 003	394 064
91 - 120 days	153 193	148 190	153 193	148 190
> 120 days	2 064 899	1 699 095	2 064 899	1 699 095
	4 486 654	3 719 011	4 486 654	3 719 011
Less: Provision for debt impairment	(1 274 752)	(1 609 573)	(1 274 752)	(1 609 573)
	3 211 902	2 109 438	3 211 902	2 109 438
National and Provincial government				
Current (0 - 30 days)	1 130 608	3 275 204	1 130 608	3 275 204
31 - 60 days	708 697	1 667 350	708 697	1 667 350
61 - 90 days	682 395	334 910	682 395	334 910
91 - 120 days	592 806	266 342	592 806	266 342
> 120 days	1 640 881	2 918 041	1 640 881	2 918 041
	4 755 387	8 461 847	4 755 387	8 461 847
Total				
Current (0 - 30 days)	6 521 473	6 984 336	6 521 473	6 984 336
31 - 60 days	2 937 321	3 494 018	2 937 321	3 494 018
61 - 90 days	1 775 811	1 329 682	1 775 811	1 329 682
91 - 120 days	1 510 454	1 211 903	1 510 454	1 211 903
> 120 days	18 591 634	18 623 921	18 591 634	18 623 921
	31 336 693	31 643 860	31 336 693	31 643 860
Less: Provision for debt impairment	(21 107 838)	(17 104 096)	(21 107 838)	(17 104 096)
	10 228 855	**14 539 764**	**10 228 855**	**14 539 764**
Reconciliation of debt impairment provision				
Balance at beginning of the year	(17 104 095)	(13 950 555)	(17 104 095)	(13 950 555)
Contributions to provisions	(4 003 747)	(3 153 540)	(4 003 747)	(3 153 540)
Reversal of provision	-	-	-	-
	(21 107 842)	(17 104 095)	(21 107 842)	(17 104 095)

In the determination of the amounts deemed to be doubtful at financial year end, an analysis of each debtor is undertaken. The debtors are classified into one of three categories.

Category A Regular payers, government accounts, consumers with amounts owing not older than 60 days.

Category B Irregular payers

Category C Indigent customers, customers with debts older than 60 days with no payments made within the last 6 months and inactive accounts.

The value of the provision is determined for the detailed categories as follows:

Category A 0% of consumer's total debt
Category B 50% of consumer's debt less or equal to 180 days
100% of consumer's > than 180 days
Category C 100% of consumer's total debt

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	Group 2011	Group 2010	Municipality 2011	Municipality 2010
4. Other debtors				
Sundry debtors	8 233 955	5 518 263	8 233 955	5 518 263
Deposits	3 029 710	2 316 602	3 029 710	2 316 602
Umhlathuze municipality - soccer stadium	3 297 884	4 771 520	3 297 884	4 771 520
Nkandla electricity - electricity receivables	-	613 120	-	613 120
	14 561 549	**13 219 505**	**14 561 549**	**13 219 505**
5. Long-term receivables				
Staff study loans	30 253	50 950	30 253	50 950
Staff home loans	512 186	620 556	512 186	620 556
Non - current assets	**542 439**	**671 506**	**542 439**	**671 506**
Non-current assets	542 439	671 506	542 439	671 506
Current portion of long-term receivables	32 745	221 000	32 745	221 000
	575 184	**892 506**	**575 184**	**892 506**

Staff home loans
Housing loans were granted to qualifying staff prior to 1 July 2004. These loans attract interest per the fringe benefit interest rate as determined by the South African Revenue Services annually. These loans will be repayable in accordance with the home loan agreements and range from 5 to 10 years.

6. VAT receivable				
VAT receivable	**5 275 361**	**4 349 704**	**5 275 361**	**4 349 704**
7. Cash and cash equivalents				
Cash and cash equivalents consist of:				
Cash on hand	3 200	3 200	3 200	3 200
Bank balances	46 971 567	23 610 368	45 355 241	22 077 997
Call investments deposits	320 000 000	240 000 000	320 000 000	240 000 000
	366 974 767	**263 613 568**	**365 358 441**	**262 081 197**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

7. Cash and cash equivalents (continued)

Call investment deposits portfolio is detailed below:

Financial Institution	Maturity Date	Investment
ABSA	01/07/2011	20 000 000
ABSA	01/07/2011	10 000 000
ABSA	08/07/2011	10 000 000
ABSA	15/08/2011	10 000 000
NEDBANK	call	20 000 000
STANDARD	26/07/2011	10 000 000
STANDARD	29/07/2011	10 000 000
STANDARD	02/08/2011	20 000 000
STANDARD	11/08/2011	20 000 000
STANDARD	14/09/2011	10 000 000
STANDARD	27/09/2011	10 000 000
STANDARD	28/09/2011	10 000 000
FIRST NATIONAL BANK	04/07/2011	20 000 000
FIRST NATIONAL BANK	02/08/2011	40 000 000
FIRST NATIONAL BANK	03/08/2011	20 000 000
FIRST NATIONAL BANK	12/08/2011	10 000 000
INVESTEC	08/07/2011	10 000 000
INVESTEC	15/07/2011	10 000 000
INVESTEC	26/07/2011	10 000 000
INVESTEC	29/07/2011	10 000 000
INVESTEC	31/08/2011	10 000 000
INVESTEC	12/09/2011	10 000 000
INVESTEC	27/10/2011	10 000 000
		320 000 000

An average interest rate of 5.645% (2010 - 7.18 %) was received on investments placed for the financial year.

The municipality and its entities have the following bank accounts:-

Uthungulu District Municipality
Primary Account

- Bank	Nedbank - Richards Bay
- Account Number	1454088885
- Opening balance	R 32 656 210.49
- Closing balance	R 54 994 081.93

Other Accounts

- Bank	Nedbank - Richards Bay
- Account Number	1454088893
- Opening balance	R 744 255.75
- Closing balance	R 1 545 345.96
- Bank	Nedbank - Richards Bay
- Account Number	1454089016
- Opening balance	R 0.00
- Closing balance	R 0.00
- Bank	Nedbank - Richards Bay
- Account Number	1454088907
- Opening balance	R 87 025.18
- Closing balance	R 95 905.47
- Bank	Nedbank - Richards Bay
- Account Number	1454094141
- Opening balance	R 261 131.41
- Closing balance	R 331 354.90

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand		Group 2011	Group 2010	Municipality 2011	Municipality 2010
7. Cash and cash equivalents (continued)					
uThungulu Financing Partnership					
- Bank	Nedbank - Johanessburg				
- Account Number	1979373671				
- Opening balance	R 725 117.00				
- Closing balance	R 351 645.00				
Uthungulu House Development Trust					
- Bank	Nedbank - Johannesburg				
- Account Number	1979373663				
- Opening balance	R 777 427.38				
- Closing balance	R 1 233 444.00				
Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position:					
Consolidated cash book and bank balances as at 30 June 2011					
Cash book balance at the beginning of year		23 610 368	67 279 425	22 077 997	66 623 737
Cash book balance at the end of year		46 971 567	23 610 368	45 355 241	22 077 997
Bank statement balance at the beginning of year		33 748 622	80 117 349	33 748 622	80 117 349
Bank statement balance at the end of year		58 551 777	33 748 622	56 966 688	33 748 622

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

8. Property, plant and equipment

Group	2011 Cost	2011 Accumulated depreciation	2011 Carrying value	2010 Cost	2010 Accumulated depreciation	2010 Carrying value
Land	12 474 983	-	12 474 983	12 474 983	-	12 474 983
Infrastructure - Under construction	302 805 999	-	302 805 999	222 460 729	-	222 460 729
Infrastructure	635 082 792	(137 807 112)	497 275 680	605 238 351	(105 521 698)	499 716 653
Other assets - assets under construction	5 002 007	-	5 002 007	743 220	-	743 220
Other assets	80 561 862	(20 376 600)	60 185 262	81 529 449	(16 229 058)	65 300 391
Total	**1 035 927 643**	**(158 183 712)**	**877 743 931**	**922 446 732**	**(121 750 756)**	**800 695 976**

Municipality	2011 Cost	2011 Accumulated depreciation	2011 Carrying value	2010 Cost	2010 Accumulated depreciation	2010 Carrying value
Land	12 474 983	-	12 474 983	12 474 983	-	12 474 983
Infrastructure - Under construction	302 805 999	-	302 805 999	222 460 729	-	222 460 729
Infrastructure	635 082 792	(137 807 112)	497 275 680	605 238 351	(105 521 698)	499 716 653
Other assets - assets under construction	5 002 007	-	5 002 007	743 220	-	743 220
Other assets	80 561 862	(20 376 600)	60 185 262	81 529 449	(16 229 058)	65 300 391
Total	**1 035 927 643**	**(158 183 712)**	**877 743 931**	**922 446 732**	**(121 750 756)**	**800 695 976**

Reconciliation of property, plant and equipment - 2011

Group

	Opening Balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Impairment reversal	Total
Land	12 474 983	-	-	-	-	-	-	12 474 983
Infrastructure - Under construction	222 460 729	110 576 379	-	(30 231 109)	-	-	-	302 805 999
Infrastructure	499 716 653	-	-	30 231 109	(31 133 291)	(1 538 791)	-	497 275 680
Other assets - assets under construction	743 220	4 258 787	-	-	-	-	-	5 002 007
Other assets	65 300 391	1 940 435	(717 818)		(6 337 746)	-	-	60 185 262
Total	800 695 976	116 775 601	(717 818)	-	(37 471 037)	(1 538 791)	-	877 743 931

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2011

Municipality	Opening Balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Impairment reversal	Total
Land	12 474 983	-	-	-	-	-	-	12 474 983
Infrastructure - Under construction	222 460 729	110 576 379	-	(30 231 109)	-	-	-	302 805 999
Infrastructure	499 716 653	-	-	30 231 109	(31 133 291)	(1 538 791)	-	497 275 680
Other assets - assets under construction	743 220	4 258 787	-	-	-	-	-	5 002 007
Other assets	65 300 391	1 940 435	(717 818)		(6 337 746)	-	-	60 185 262
Total	800 695 976	116 775 601	(717 818)	-	(37 471 037)	(1 538 791)	-	877 743 931

Reconciliation of property, plant and equipment - 2010

Group	Opening Balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Impairment reversal	Total
Land	12 474 983	-	-	-	-	-	-	12 474 983
Infrastructure - Under construction	168 275 559	138 046 087	-	(83 860 917)	-	-	-	222 460 729
Infrastructure	440 807 322	162 353	(998 686)	83 860 917	(23 429 347)	(685 906)		499 716 653
Other assets - assets under construction	12 414 153	8 599 234	-	(20 270 167)	-	-	-	743 220
Other assets	45 545 945	5 328 313	(139 089)	20 270 167	(5 704 945)	-	-	65 300 391
Total	679 517 962	152 135 987	(1 137 775)	-	(29 134 292)	(685 906)	-	800 695 976

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2010

Municipality	Opening Balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Impairment reversal	Total
Land	12 474 983	-	-	-	-	-	-	12 474 983
Infrastructure - Under construction	168 275 559	138 046 087	-	(83 860 917)	-	-	-	222 460 729
Infrastructure	440 807 322	162 353	(998 686)	83 860 917	(23 429 347)	(685 906)		499 716 653
Other assets - assets under construction	12 414 153	8 599 234	-	(20 270 167)	-	-	-	743 220
Other assets	45 545 945	5 328 313	(139 089)	20 270 167	(5 704 945)	-	-	65 300 391
Total	679 517 962	152 135 987	(1 137 775)	-	(29 134 292)	(685 906)	-	800 695 976

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

9. Intangible Assets

	2011			2010		
Group	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software and other	2 589 552	(2 400 032)	189 520	2 386 027	(2 323 406)	62 621
Total	**2 589 552**	**(2 400 032)**	**189 520**	**2 386 027**	**(2 323 406)**	**62 621**

	2011			2010		
Municipality	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software and other	2 589 552	(2 400 032)	189 520	2 386 027	(2 323 406)	62 621
Total	**2 589 552**	**(2 400 032)**	**189 520**	**2 386 027**	**(2 323 406)**	**62 621**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

Reconciliation of property, plant and equipment - 2011

Group	Opening Balance	Additions	Amortisation	Total
Computer software and other	62 621	203 524	(76 625)	189 520
Total	62 621	203 524	(76 625)	189 520

Reconciliation of property, plant and equipment - 2011

Municipality	Opening Balance	Additions	Amortisation	Total
Computer software and other	62 621	203 524	(76 625)	189 520
Total	62 621	203 524	(76 625)	189 520

Reconciliation of property, plant and equipment - 2010

Group	Opening Balance	Additions	Amortisation	Total
Computer software and other	358 640	-	(296 019)	62 621
Total	358 640	-	(296 019)	62 621

Reconciliation of property, plant and equipment - 2010

Municipality	Opening Balance	Additions	Amortisation	Total
Computer software and other	358 640	-	(296 019)	62 621
Total	358 640	-	(296 019)	62 621

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	Group 2011	Group 2010	Municipality 2011	Municipality 2010
10. Investment in municipal entities				
% Holding				
uThungulu Financing Partnership			99	99
uThungulu House Development Trust			100	100
Carrying amount				
uThungulu Financing Partnership			19 063 401	18 499 551
uThungulu House Development Trust			6 656 413	6 341 510
			25 719 814	**24 841 061**

The carrying amounts of municipal entities are shown net of impairment losses.

11. Investments				
Held to maturity				
INCA Zero Coupon	-	18 804 415	-	18 804 415

The INCA Zero Coupon of R7 963 350 was purchased by Council in 2002/03 to be utilised as a guarantee on the R 21 million INCA loan. Interest of R 2 195 585 (2009/10: R 1 966 032) at 11.35% was earned on the investment. The investment matured on the 30th of June 2011.As the investment was taken to settle the loan as detailed in note 12, the funds received are to be re-invested in the new year for the purpose as stated.

Non-current assets				
Held to maturity	-	18 804 415	-	18 804 415

The municipality has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.

12. Long-term liabilities				
Held at amortised cost				
ABSA Bank 12.6%	43 471 380	44 757 942	43 471 380	44 757 942

The loan was raised to finance the development of uThungulu House building and greater Mthonjaneni Bulk Water Scheme. The loan is repayable after a 15 year period. Interest at 12.6% is payable 6 monthly in arrears on the last day of the month.

INCA 13.95%	21 000 000	21 000 000	21 000 000	21 000 000

The loan was raised to finance the purchase and development of the regional solid waste site. The loan is repayable after a 15 year period. Interest at 13.95% is paid 6 monthly in arrears on the last day of the month. The final payment of R21 million is due December 2015. The investment matured on the 30th of June 2011 and will be re-invested in the new financial year in order to repay this loan.

INCA 11.95%	27 423 160	28 418 153	27 423 160	28 418 153

The loan was raised to finance extensions to uThungulu House and the development of the solid waste site cell 2. The loan is repayable after a 15 year period. Interest at 11.95% is payable 6 monthly in arrears on the last day of the month.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	Group 2011	Group 2010	Municipality 2011	Municipality 2010
12. Long-term liabilities (continued)				
Obligation under Finance Headlease			24 296 048	23 495 555
The finance headlease payments represent payments by the municipality for a headlease property in which the municipality has a controlling interest at the end of the lease through uThungulu Financing Partnership and consist of a lease over Portion 2 of ERF 10033 Richards Bay, 2 Haifi, Central Business District, known as uThungulu House. The original lease period expires on 31 October 2017, ownership of the property will vest with uThungulu on the termination of the lease. The yield to maturity on the lease is 23.18% and is paid 6 monthly in advance on the last day of the month.				
	91 894 540	94 176 095	116 190 588	117 671 650
Refer to Appendix A for more detail on long-term liabilities.				
Details of the repayment term of the obligations and the related interest rates are set out in Appendix A.				
Non-current liabilities				
At amortised cost	89 346 888	91 894 540	108 739 410	111 087 363
Current liabilities				
At amortised cost	2 547 652	2 281 555	7 451 178	6 584 287
	91 894 540	94 176 095	116 190 588	117 671 650
Obligations under finance lease				
- within one year			5 642 391	4 949 465
- in the second to the fifth year inclusive			31 654 401	27 767 018
- later than five years			16 651 276	26 181 049
			53 948 068	58 897 532
Less future finance charges			(29 652 020)	(35 401 978)
			24 296 048	23 495 554
Present value of minimum lease payments				
- within one year			4 903 526	4 302 732
- in the second to the fifth year inclusive			15 193 295	13 329 526
- later than five years			4 199 227	5 863 296
			24 296 048	23 495 554
13. Trade and other payables from exchange transactions				
Trade payables	93 252 997	51 764 777	93 252 997	51 764 777
Amounts received in advance	1 598 200	1 441 286	1 598 200	1 441 286
Accrued leave pay	5 621 328	3 365 515	5 621 328	3 365 515
Other accrued expenses	86 931	11 027	86 931	11 027
Other payables	14 726 285	14 911 403	14 726 285	14 911 403
	115 285 741	71 494 008	115 285 741	71 494 008
14. Consumer deposits				
Water	7 244 363	6 242 602	7 244 363	6 242 602

In terms of Council's by-laws no interest is raised or paid on consumer deposits.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	Group 2011	Group 2010	Municipality 2011	Municipality 2010
15. Defined benefit obligation				
Post-Employment Health Care Benefit Liability	9 863 739	7 399 379	9 863 739	7 399 379
Long Service Awards	3 561 002	2 195 634	3 561 002	2 195 634
Total amount for post retirement benefit provisions	**13 424 741**	**9 595 013**	**13 424 741**	**9 595 013**
	(674 258)	**(178 885)**	**(674 258)**	**(178 885)**
Less: Current portion of post-employment health care benefit liability	(55 656)	(48 384)	(55 656)	(48 384)
Less: Current portion of long service awards	(618 602)	(130 501)	(618 602)	(130 501)
Net provision for post retirement benefit liability	**12 750 483**	**9 416 128**	**12 750 483**	**9 416 128**
15.1 Post-employment Health Care Benefit Liability				
Post-Employment Health Care Benefit Liability	9 863 739	7 399 379	9 863 739	7 399 379
Total: Post Retirement Medical Aid Benefit Liability	**9 863 739**	**7 399 379**	**9 863 739**	**7 399 379**
Less: Transfer to current provisions	(55 656)	(48 384)	(55 656)	(48 384)
Net Post-Employment Health Care Benefit Liability	**9 808 083**	**7 350 995**	**9 808 083**	**7 350 995**

The Municipality provides certain post retirement medical benefits by funding the medical aid contributions of certain retired members of the Municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current condition of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The most recent actuarial valuations of plan assets and the present value of the unfunded defined benefit obligation were carried out as at 30 June 2011 by ARCH Actuarial Consulting, a member of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. No other post retirement benefits are provided by the municipality.

The Post Employment Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service members (Employees)	153	160	153	160
In-service non-members	40	86	40	86
Continuation members (Retirees, widowers and orphans)	2	2	2	2
	195	**248**	**195**	**248**

The liability in respect of past services has been estimated to be as follows:

In-service members	8 959 630	6 623 351	8 959 630	6 623 351
Continuation members	904 109	776 028	904 109	776 028
	9 863 739	**7 399 379**	**9 863 739**	**7 399 379**

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:
- Bonitas
- Key Health
- LA Health
- Hosmed
- Samwumed

The future service cost for the ensuing year is established to be R 1 111 284, whereas the interest-cost for the next year is estimated to be R 870 570 (2010: R 812 181 and R 677 055 respectively).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	Group 2011	Group 2010	Municipality 2011	Municipality 2010
15. Defined benefit obligations (continued)				
15.2 Long Service Awards				
Provision for Long Service Awards	3 561 001	2 195 634	3 561 001	2 195 634
Total provision for Long Service Awards	**3 561 001**	**2 195 634**	**3 561 001**	**2 195 634**
Less: Transfer to current provisions	(618 602)	(130 501)	(618 602)	(130 501)
Net Long Service Awards Liability	**2 942 399**	**2 065 133**	**2 942 399**	**2 065 133**

A long-service award is granted to municipal employees after the completion of fixed periods of continuous service with the Municipality (which includes their uninterrupted service with the former local authorities amalgamated in December 2000). The said award comprises a certain number of vacation leave days which, in accordance with the option exercised by the beneficiary employee, can be converted into a cash amount based on his/her basic salary applicable at the time the award becomes due or, alternatively, credited to his/her vacation leave accrual. The provision represents an estimation of the awards to which employees in the service of the Municipality at 30 June 2011 may become entitled to in future, based on an actuarial valuation performed at that date.

The most recent actuarial valuations of plan assets and the present value of the unfunded defined benefit obligation were carried out as at 30 June 2011 by ARCH Actuarial Consulting, a member of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. No other long service benefits are provided by the municipality.

The future service cost for the ensuing year is established to be R 859 937, whereas the interest-cost for the next year is estimated to be R 246 604 (2010: R 490 530 and R 194 019 respectively).

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Rates of Interest

Discount rate	7,57%	9,10%	7,57%	9,10%
Net effective discount rate	1,28%	2,52%	1,28%	2,52%
Expected rate of salary increase	6,21%	6,42%	6,21%	6,42%
Expected retirement age - females	58	58	58	58
Expected retirement age - males	63	63	63	63

The amount recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	3 561 001	2 195 634	3 561 001	2 195 634
	3 561 001	**2 195 634**	**3 561 001**	**2 195 634**
Present value of unfunded obligations	3 561 001	2 195 634	3 561 001	2 195 634
Benefit Liability	**3 561 001**	**2 195 634**	**3 561 001**	**2 195 634**

The amount recognised in the Statement of Financial Performance are as follow:

Current service cost	490 530	524 162	490 530	524 162
Interest cost	194 019	277 647	194 019	277 647
Actuarial (gain)/losses	811 319	(1 433 112)	811 319	(1 433 112)
Total included in employee related cost	**1 495 868**	**(631 303)**	**1 495 868**	**(631 303)**

The movement in the defined benefit obligation over the year as follows:

Balance at the beginning of the year	2 195 634	3 207 105	2 195 634	3 207 105
- Current service cost	490 530	524 162	490 530	524 162
- Interest cost	194 019	277 647	194 019	277 647
- Benefits paid	(130 501)	(380 168)	(130 501)	(380 168)
- Actuarial (gain)/losses	811 319	(1 433 112)	811 319	(1 433 112)
Balance at the end of the year	**3 561 001**	**2 195 634**	**3 561 001**	**2 195 634**
Defined benefit obligation	3 561 001	2 195 634	3 561 001	2 195 634
Experience adjustment on plan liabilities	561 882	(1 422 469)	561 882	(1 422 469)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	Group 2011	Group 2010	Municipality 2011	Municipality 2010

15. Defined benefit obligations (continued)

Provincially-administered defined benefit obligations

	Last Actuarial Valuation	Total Assets R'000	Total Liabilities R'000	Net Gain or Loss R'000
Government Employees Pension Fund	March 2008	707 042 000	707 042 000	-
KwaZulu-Natal Joint Municipal Provident Fund	March 2010	836 448	753 288	83 160
Natal Joint Municipal Pension Fund (Superannuation)	March 2010	5 019 300	4 751 800	267 500
Natal Joint Municipal Pension Fund (Retirement)	March 2009	1 812 000	1 848 400	(36 400)
Zululand Joint Provident Fund (uThungulu District Municipality Provident Fund)	February 2009	12 541 836	12 541 836	-

An amount of R 6 209 920 (2010: R 5 207 599) was contributed by Council towards employee retirement funding. These contributions have been expensed.

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprise:

Conditional Grants from other spheres of Government				
Municipal Infrastructure Grant	72 554 169	57 219 922	72 554 169	57 219 922
Department of Co-operative Governance and Traditional Affairs(Previously DTLGA)	12 881 771	16 491 403	12 881 771	16 491 403
Department of Water Affairs	942 042	1 114 478	942 042	1 114 478
Department of Co-operative Government and Traditional Affairs	861 867	225 986	861 867	225 986
Department of Public Works	1 727 394	616 950	1 727 394	616 950
National Treasury	280 219	134 586	280 219	134 586
Foskor	186	17 115	186	17 115
Provincial Treasury	1 220 833	1 028 241	1 220 833	1 028 241
Department of Sport and Recreation	3 813	3 813	3 813	3 813
Department of Transport - KwaZulu Natal	313 770	313 770	313 770	313 770
Department of Economic Affairs and Tourism	43 857	300 000	43 857	300 000
Department of Agriculture	177 708	189 708	177 708	189 708
Other	238 866	370 987	238 866	370 987
	91 246 495	**78 026 959**	**91 246 495**	**78 026 959**

17. Non-current and current provisions

Group

Reconciliation of non-current provisions - 2011

	Opening balance	Contributions to provisions	Expenditure incurred	Total
Reclamation of refuse landfill site	60 914 211	4 203 081	-	65 117 292
Performance bonus	710 363	58 140	-	768 503
	61 624 574	**4 261 221**	**-**	**65 885 795**

Reconciliation of non-current provisions - 2010

	Opening balance	Contributions to provisions	Expenditure incurred	Total
Reclamation of refuse landfill site	57 804 231	3 109 980	-	60 914 211
Performance bonus	710 363	608 737	(608 737)	710 363
	58 514 594	**3 718 717**	**(608 737)**	**61 624 574**

Municipality

Reconciliation of non-current provisions - 2011

	Opening balance	Contributions to provisions	Expenditure incurred	Total
Reclamation of refuse landfill site	60 914 211	4 203 081	-	65 117 292
Performance bonus	710 363	58 140	-	768 503
	61 624 574	**4 261 221**	**-**	**65 885 795**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	Group 2011	Group 2010	Municipality 2011	Municipality 2010

17. Non-current and current provisions (continued)

Reconciliation of non-current provisions - 2010

	Opening balance	Contributions to provisions	Expenditure incurred	Total
Reclamation of refuse landfill site	57 804 231	3 109 980	-	60 914 211
Performance bonus	710 363	608 737	(608 737)	710 363
	58 514 594	**3 718 717**	**(608 737)**	**61 624 574**

Non-current liabilities	65 117 292	60 914 211	65 117 292	60 914 211
Current liabilities	768 503	710 363	768 503	710 363
	65 885 795	**61 624 574**	**65 885 795**	**61 624 574**

Performance bonuses are paid after the financial year end in arrears as the assessment of eligible employees had not taken place at reporting date.

In terms of licensing of the landfill refuse site, council will incur rehabilitation costs of R 65 million to restore the old Empangeni and Cell 1 refuse sites at the end of their useful life, estimated to be in 2012. Provision has been made at best estimate determined by the resident professional engineer at a cost for the current solid waste(Cell 1 & Cell 2) and the old Empangeni Site.

18. Service charges

Sale of water	30 124 717	23 961 064	30 124 717	23 961 064
Solid waste	7 239 081	5 068 155	7 239 081	5 068 155
Sanitation revenue	3 513 026	3 297 144	3 513 026	3 297 144
Cemetery revenue	316 110	411 774	316 110	411 774
Service revenue	-	138 543	-	138 543
	41 192 934	**32 876 680**	**41 192 934**	**32 876 680**

19. Government grants and subsidies

Levy replacement grant	139 638 170	122 819 042	139 638 170	122 819 042
Municipal Infrastructure Grant	96 875 753	106 413 855	96 875 753	106 413 855
Equitable share	120 340 137	93 709 725	120 340 137	93 709 725
Department of Co-operative Governance and Traditional Affairs (Previously DTLGA)	4 383 184	43 691 033	4 383 184	43 691 033
uMhlathuze Municipality	-	21 065 412	-	21 065 412
Department of Water Affairs	18 568 056	17 162 242	18 568 056	17 162 242
Department of Co-operative Governance and Traditional Affairs	3 982 596	938 843	3 982 596	938 843
Department of Public Works	769 178	884 369	769 178	884 369
National Treasury	854 367	644 420	854 367	644 420
Foskor	16 929	72 885	16 929	72 885
Provincial Treasury	391 477	63 636	391 477	63 636
Department of Sport & Recreation	-	26 953	-	26 953
Department of Economic Affairs & Tourism	256 143		256 143	
Department of Agriculture	12 000	10 293	12 000	10 293
	386 087 990	**407 502 708**	**386 087 990**	**407 502 708**

Levy Replacement Grant

Regional council levies have been discontinued as from 30 June 2006, and the national fiscus has allocated a levy replacement grant to the district municipalities. The levy replacement grant is an interim measure to ensure the financial stability of the district municipalities while national government is currently defining the overall fiscus streams to local government.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	Group 2011	Group 2010	Municipality 2011	Municipality 2010

19. Government grants and subsidies (continued)

Municipal Infrastructure Grant

Balance unspent at beginning of year	57 219 922	44 950 778	57 219 922	44 950 778
Current-year receipts	112 210 000	118 683 000	112 210 000	118 683 000
Conditions met - transferred to revenue	(96 875 753)	(106 413 856)	(96 875 753)	(106 413 856)
	72 554 169	**57 219 922**	**72 554 169**	**57 219 922**

Conditions still to be met - remain liabilities (see note 16)

This grant is used to construct water and sewerage infrastructure as part of the upgrading of informal settlement areas. No funds have been withheld.

Equitable share

In terms of the Constitution, this grant is unconditional and is used to subsidise the provision of basic services to the community. These subsidies includes 6 kilolitre free basic water to the entire district with the exception of KZ 282.

Department of Co-operative Governance and Traditional Affairs (Previously DTLGA)

Balance unspent at beginning of year	16 491 403	55 682 436	16 491 403	55 682 436
Current-year receipts	329 000	4 500 000	329 000	4 500 000
Conditions met - transferred to revenue	(3 938 632)	(43 691 033)	(3 938 632)	(43 691 033)
	12 881 771	**16 491 403**	**12 881 771**	**16 491 403**

Conditions still to be met - remain liabilities (see note 16)

These grants are used:
- to build capacity within the district in order to perform functions as per legislature;
- for disaster programmes, fire fighting equipment, water service delivery planning, shared services unit and infrastructure.

uMhlathuze Municipality

Balance unspent at beginning of year	-	21 065 412	-	21 065 412
Current-year receipts	-	-	-	-
Conditions met - transferred to revenue	-	(21 065 412)	-	(21 065 412)
	-	-	-	-

The grants received were used to build the 2010 sports stadium in the district.

Department of Water Affairs

Balance unspent at beginning of year	1 114 478	16 945 121	1 114 478	16 945 121
Current-year receipts	18 395 620	1 331 600	18 395 620	1 331 600
Conditions met - transferred to revenue	(18 568 056)	(17 162 243)	(18 568 056)	(17 162 243)
	942 042	**1 114 478**	**942 042**	**1 114 478**

Conditions still to be met - remain liabilities (see note 16)

These grants are used for:
- water infrastructure and sanitation projects;
- drought relief and disaster relief programmes

Department of Co-operative Governance and Traditional Affairs

Balance unspent at beginning of year	225 986	429 829	225 986	429 829
Current-year receipts	3 278 000	735 000	3 278 000	735 000
Conditions met - transferred to revenue	(2 642 119)	(938 843)	(2 642 119)	(938 843)
	861 867	**225 986**	**861 867**	**225 986**

Conditions still to be met - remain liabilities (see note 16)

The Department of Co-operative Governance and Traditional Affairs grants are used to build capacity within the district in order to perform functions as per legislature.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	Group 2011	Group 2010	Municipality 2011	Municipality 2010
19. Government grants and subsidies (continued)				
Department of Public Works				
Balance unspent at beginning of year	616 950	829 342	616 950	829 342
Current-year receipts	1 747 500	616 950	1 747 500	616 950
Conditions met - transferred to revenue	(769 178)	(829 342)	(769 178)	(829 342)
	1 595 272	**616 950**	**1 595 272**	**616 950**

Conditions still to be met - remain liabilities (see note 16)

This grant is used to construct water and sewerage infrastructure as part of the upgrading of informal settlement areas. No funds have been withheld.

National Treasury				
Balance unspent at beginning of year	134 586	29 006	134 586	29 006
Current-year receipts	1 000 000	750 000	1 000 000	750 000
Conditions met - transferred to revenue	(854 367)	(644 420)	(854 367)	(644 420)
	280 219	**134 586**	**280 219**	**134 586**

Conditions still to be met - remain liabilities (see note 16)

National treasury other grants are used for:
- to promote and support reforms to municipal financial management and the implementation of the Municipal Finance Management Act (Act no. 56 of 2003).

FOSKOR				
Balance unspent at beginning of year	17 115	-	17 115	-
Current-year receipts	-	90 000	-	90 000
Conditions met - transferred to revenue	(16 929)	(72 885)	(16 929)	(72 885)
	186	**17 115**	**186**	**17 115**

Conditions still to be met - remain liabilities (see note 16)

The grant received from Foskor is to partner with the district municipality in the fight against HIV and Aids.

Provincial Treasury				
Balance unspent at beginning of year	1 028 241	514 877	1 028 241	514 877
Current-year receipts	584 069	577 000	584 069	577 000
Conditions met - transferred to revenue	(391 477)	(63 636)	(391 477)	(63 636)
	1 220 833	**1 028 241**	**1 220 833**	**1 028 241**

Conditions still to be met - remain liabilities (see note 16)

The grant received from Provincial Treasury is used for the upliftment of the districts communities through various programmes.

Department of Sport & Recreation				
Balance unspent at beginning of year	3 813	30 766	3 813	30 766
Conditions met - transferred to revenue	-	(26 953)	-	(26 953)
	3 813	**3 813**	**3 813**	**3 813**

Conditions still to be met - remain liabilities (see note 16)

The grant received from the Department of Sport and Recreation is used to construct sporting infrastructure in the district. This grant also included funding for the 2010 sports stadium that has been constructed by the municipality. The grant is spent in accordance with the approved business plan. No funds have been withheld.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	Group 2011	Group 2010	Municipality 2011	Municipality 2010
19. Government grants and subsidies (continued)				
Department of Transport				
Balance unspent at beginning of year	**313 770**	**313 770**	**313 770**	**313 770**
Conditions still to be met - remain liabilities (see note 16)				
The Department of Transport grant is used for the development of the public transport plan.				
Department of Economic Affairs and Tourism				
Balance unspent at beginning of year	300 000	300 000	300 000	300 000
Conditions met - transferred to revenue	(256 143)	-	(256 143)	-
	43 857	**300 000**	**43 857**	**300 000**
Conditions still to be met - remain liabilities (see note 16)				
The grant received from the Department of Economic Affairs and Tourism is for the development and promotion of the districts local economy and tourism.				
Department of Agriculture				
Balance unspent at beginning of year	189 708	-	189 708	-
Current-year receipts	-	200 000	-	200 000
Conditions met - transferred to revenue	(12 000)	(10 292)	(12 000)	(10 292)
	177 708	**189 708**	**177 708**	**189 708**
Conditions still to be met - remain liabilities (see note 16)				
The grant received from the Department of Agriculture is for the development of a district agricultural plan.				
20. Other income				
Sundry income	6 365 883	3 370 472	6 365 883	3 370 472
Income from the uThungulu House Development Trust			2 951 534	3 016 296
Income from the uThungulu Financing Partnership			2 853 557	2 560 904
Tender deposits	320 617	235 565	320 617	235 565
SETA refund	190 021	198 965	190 021	198 965
Shared services revenue	-	1 007 149	-	1 007 149
Insurance refund	123 617	541 056	123 617	541 056
Other income impairment	-	299 237	-	299 237
Lease income	90 805	71 535	90 805	71 535
Other income - Mark-up	929	1 427	929	1 427
	7 091 872	**5 725 406**	**12 896 963**	**11 302 606**
21. Interest Received				
Interest revenue				
Outstanding debtors	55 700	78 047	55 700	78 047
External investments	24 241 116	26 468 420	24 149 787	26 468 420
	24 296 816	**26 546 467**	**24 205 487**	**26 546 467**
22. Employee related costs				
Employee related costs - Salaries and wages	53 701 327	49 508 924	53 701 327	49 508 924
Employee related costs - Contributions for UIF, pensions	11 190 484	9 210 541	11 190 484	9 210 541
Travel and other allowances	6 806 906	6 093 718	6 806 906	6 093 718
Overtime and relief payments	8 145 272	4 517 937	8 145 272	4 517 937
Housing benefits and allowances	2 949 080	2 760 976	2 949 080	2 760 976
Post Retirement Obligation: Post-employment health care benefit	2 464 360	593 428	2 464 360	593 428
Post Retirement Obligation: Long Service Award	1 365 367	-	1 365 367	-
	86 622 796	**72 685 524**	**86 622 796**	**72 685 524**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	Group 2011	Group 2010	Municipality 2011	Municipality 2010
22. Employee related costs (continued)				
Remuneration of Municipal Manager				
Annual Remuneration	863 736	800 518	863 736	800 518
Car Allowance	343 415	330 800	343 415	330 800
Performance Bonuses	142 582	132 020	142 582	132 020
Contributions to UIF	11 625	1 542	11 625	1 542
	1 361 358	**1 264 880**	**1 361 358**	**1 264 880**
Remuneration of Deputy Municipal Manager				
Annual Remuneration	803 594	701 734	803 594	701 734
Car Allowance	352 280	323 323	352 280	323 323
Performance Bonuses	135 453	124 439	135 453	124 439
Contributions to UIF	12 599	1 542	12 599	1 542
	1 303 926	**1 151 038**	**1 303 926**	**1 151 038**
Remuneration of Executive Director Technical Services				
Annual Remuneration	783 090	718 564	783 090	718 564
Car Allowance	157 056	179 018	157 056	179 018
Performance Bonuses	125 316	116 034	125 316	116 034
Contributions to UIF	10 158	1 542	10 158	1 542
	1 075 620	**1 015 158**	**1 075 620**	**1 015 158**
Remuneration of Executive Director Corporate Services				
Annual Remuneration	792 387	769 755	792 387	769 755
Car Allowance	219 645	202 475	219 645	202 475
Performance Bonuses	128 324	117 426	128 324	117 426
Contributions to UIF	10 831	1 542	10 831	1 542
	1 151 187	**1 091 198**	**1 151 187**	**1 091 198**
Remuneration of Chief Financial Officer				
Annual Remuneration	1 007 297	824 861	1 007 297	824 861
Car Allowance	130 731	93 190	130 731	93 190
Performance Bonuses	128 324	118 818	128 324	118 818
Contributions to UIF	12 939	1 542	12 939	1 542
	1 279 291	**1 038 411**	**1 279 291**	**1 038 411**
23. Remuneration of councillors				
Mayor	425 708	429 861	425 708	429 861
Deputy Mayor	439 219	435 274	439 219	435 274
Executive Committee	2 030 537	1 226 740	2 030 537	1 226 740
Speaker	439 219	466 443	439 219	466 443
Councillors	1 737 760	2 434 655	1 737 760	2 434 655
Councillors' pension contribution	419 407	422 240	419 407	422 240
	5 491 850	**5 415 213**	**5 491 850**	**5 415 213**

In-kind benefits

The Mayor, Deputy Mayor, Speaker and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council which is included with other expenditure in the Statement of Financial Performance. The Mayor has the use of a Council owned vehicle together with a driver for official duties.

24. Depreciation and amortisation				
Property, plant and equipment	39 009 828	29 820 198	39 009 828	29 820 198
Intangible assets	76 625	296 019	76 625	296 019
	39 086 453	**30 116 217**	**39 086 453**	**30 116 217**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	Group 2011	Group 2010	Municipality 2011	Municipality 2010
25. Finance costs				
Interest paid - long term liabilities	6 956 310	8 083 313	12 698 920	9 243 940
26. Bulk purchases				
Electricity	11 176 533	9 310 436	11 176 533	9 310 436
Water	13 293 853	9 046 826	13 293 853	9 046 826
	24 470 386	**18 357 262**	**24 470 386**	**18 357 262**
27. Grants and subsidies paid				
KZ 282 Umhlathuze Municipality	1 266 558	2 175 690	1 266 558	2 175 690
KZ 284 Umlalazi Municipality	851 616	-	851 616	-
KZ 283 Ntambanana Municipality	3 912 999	1 300 000	3 912 999	1 300 000
	6 031 173	**3 475 690**	**6 031 173**	**3 475 690**
28. General expenses				
Advertisements	803 842	611 062	803 842	611 062
Chemicals	1 918 442	1 350 171	1 918 442	1 350 171
External audit fees	2 024 359	1 845 220	2 024 359	1 845 220
Fuel and oil	2 415 905	2 062 337	2 415 905	2 062 337
IDP operational externally funded projects	20 107 166	78 755 268	20 107 166	78 755 268
IDP operational internal funded projects	49 246 657	48 497 155	49 246 657	52 939 596
Insurance	1 307 993	937 217	1 307 993	937 217
Landfill site reclamation	4 203 081	3 109 980	4 203 081	3 109 980
Other expenses	6 040 154	9 848 970	6 040 129	9 848 970
Publicity	873 246	1 146 871	873 246	1 146 871
Rent - Plant and vehicles	3 606 332	2 980 468	3 606 332	2 980 468
Subsistence & travelling	833 226	914 394	833 226	914 394
Telephone	1 318 253	1 374 688	1 318 253	1 374 688
	94 698 656	**153 433 801**	**94 698 631**	**157 876 242**
29. Cash generated from operations				
Surplus before outside partners interest adjustment	94 651 067	77 049 074	94 622 244	77 023 206
Adjustments for:				
Depreciation and amortisation	39 086 453	30 116 217	39 086 453	30 116 217
Loss on sale of property, plant and equipment	(601 377)	978 902	(601 377)	978 902
Movement in retirement benefits assets and liabilities	3 829 728	(418 043)	3 829 728	(418 043)
Movement in provisions	4 261 221	3 109 980	4 261 221	3 109 980
Prior period adjustments	-	1 360 521	-	1 360 521
Corrections of revenue recognition	(413 390)	(121 610)	(413 390)	(121 610)
Distribution by partnership	(23 127)	(1 773)	-	-
Changes in working capital:				
Inventories	1 334 136	1 313 941	1 334 136	1 313 941
Other debtors	(1 342 044)	(6 779 259)	(1 342 044)	(6 779 259)
Consumer debtors	4 310 909	(3 895 061)	4 310 909	(3 895 061)
Current portion of long-term receivables	-	-	-	-
Trade and other payables from exchange transactions	43 791 733	25 126 251	43 791 733	25 135 312
VAT	(925 657)	21 620 416	(925 657)	21 620 416
Unspent conditional grants and receipts	13 219 535	(63 330 550)	13 219 535	(63 330 550)
Consumer deposits	1 001 761	478 147	1 001 761	478 147
	202 180 948	**86 607 153**	**202 175 252**	**86 592 119**
30. Commitments				
Authorised capital expenditure				
Approved and contracted for				
- Infrastructure	**133 241 563**	**82 228 456**	**133 241 563**	**82 228 456**
This expenditure will be financed from:				
- Government grants	127 104 914	76 565 181	127 104 914	76 565 181
- Own Resources	6 136 649	5 663 275	6 136 649	5 663 275
	133 241 563	**82 228 456**	**133 241 563**	**82 228 456**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	Group 2011	Group 2010	Municipality 2011	Municipality 2010

The outstanding commitments relate to capital projects and other assets that have been committed by order, by the Bid Adjudication Committee and Executive Committee prior to 30 June 2011. The majority of the capital projects include water infrastructure.

30.1 Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	2 871 985	99 107	2 871 985	99 107
- in second to fifth year inclusive	3 357 740	-	3 357 740	-
	6 229 725	**99 107**	**6 229 725**	**99 107**

Operating lease payments represent payments for the leasing of vehicles by the group and municipality. Lease contracts are entered into for a three year period and the lease payments are fixed for the lease period with no escalation. New lease agreements were entered into by the group and municipality in the 2010/2011 financial year and an amount of R2 765 004 has been recognised in the Statement of Financial Performance.

31. Contingencies

Future legal fees

1. Ex-employee 1 - legal action pending	600 000	600 000	600 000	600 000
2. Contractor 1 - legal matter pending	140 000	140 000	140 000	140 000
3. Consulting Engineers 2 - legal matter pending	140 000	140 000	140 000	140 000
4. Contractor - legal matter pending	100 000	100 000	100 000	100 000
5. Service provider - legal action pending	40 000	40 000	40 000	40 000
6. Ex-employee 2 - legal action pending	140 000	30 000	140 000	30 000
7. Employee 3 - a case of theft of money	42 561	-	42 561	-
	1 202 561	**1 050 000**	**1 202 561**	**1 050 000**

31. Contingencies (continued)

1. The municipality has legal action against an ex-employee that made an illegal investment. The matter is being dealt with by the high court. The matter has been preliminary set down for trial on the 19,20 and 21 October 2011.

2. This is a contractor's liability claim by the municipality against a contractor for non performance and is a high court claim.

3. This matter refers to a dispute with a consulting engineering firm and relates to the consultant increasing the scope of work of a project without obtaining prior approval from the municipality. The matter is a high court claim.

4. The municipality has legal action against a contractor for non performance and relates to the claim referred to in point 3 above. The matter is with the high court.

5. This is a high court claim that has been lodged against a service provider.

6. This matter has been finalised in October 2010 and the only outstanding issue relates to taxation matters.

7. This matter refers to a case of theft of money by an employee. A criminal case has being opened at the SAPS and attempts are being made to recover the monies, furthermore disciplinary action has also started.

8. An investigation into the ex-Mayoral vehicle mileage has been commissioned by Council.

32. Related parties

Relationships

Municipal entities	The uThungulu Financing Partnership uThungulu House Development Trust		
Related Party Balances			
Investment in municipal entities			
The uThungulu Financing Partnership		19 063 401	18 499 551
uThungulu House Development Trust		6 656 413	6 341 510
Income received from related parties			
The uThungulu Financing Partnership		2 853 557	2 560 904
uThungulu House Development Trust		2 951 534	3 016 296
Balances outstanding from related parties			
The uThungulu Financing Partnership		24 296 048	23 495 555

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	Group 2011	Group 2010	Municipality 2011	Municipality 2010

32. Related parties (continued)

% interest in municipal entities

The uThungulu Financing Partnership			99	99
uThungulu House Development Trust			100	100

Related parties transactions
Sub-lease payments

The uThungulu Financing Partnership			4 949 464	4 341 636

The uThungulu Financing Partnership is a partnership between uThungulu District Municipality, NIB9810 trust and Nedcor. uThungulu District Municipality as at 30 April 2008 holds 99% and Nedcor and NIB9810 holds the balance of 1%. The uThungulu Financing Partnership was formed to facilitate the purchase of uThungulu House in order to provide offices for uThungulu District Municipality. In order to finance the purchase of uThungulu House, the partnership entered into a loan agreement with Nedcor. In terms of the sub-lease agreement, uThungulu District Municipality is obliged to make bi-annual sub payments to the partnership to reimburse uThungulu Financing Partnership for loan repayments made to Nedcor. The loan is payable over 20 year period (starting in 1998 and ending in 2017).

uThungulu House Development trust leases immovable property to the uThungulu Financing Partnership, in terms of a financing lease. The original lease period expires on the 31 October 2017.

Both of the above mentioned entities are incorporated in South Africa.

33. Going concern

We draw attention to the fact that at 30 June 2011, the group and municipality had accumulated surplus of R 897 636 416. and that the group and municipality's total assets exceed its total liabilities by R 897 636 416..

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business, dependant on the receiving of equitable share allocations.

34. Events after reporting date

At the date of submission of the annual financial statements there were no known events.

35. Additional disclosure in terms of the Municipal Finance Management Act

Contributions to organised local government				
Current year membership fee	674 157	548 786	674 157	548 786
Amount paid - current year	(674 157)	(548 786)	(674 157)	(548 786)
	-	-	-	-
Audit fees				
Opening balance	-	-	-	-
Current year subscription / fee	2 024 359	1 845 219	2 024 359	1 845 219
Amount paid - current year	(179 140)	(200 672)	(179 140)	(200 672)
Amount paid - previous year	(1 845 219)	(1 644 547)	(1 845 219)	(1 644 547)
	-	-	-	-
PAYE and UIF				
Current year subscription / fee	12 654 622	10 884 912	12 654 622	10 884 912
Amount paid - current year	(12 654 622)	(10 884 912)	(12 654 622)	(10 884 912)
	-	-	-	-
Pension and Medical Aid Deductions				
Current year subscription / fee	9 850 535	8 482 794	9 850 535	8 482 794
Amount paid - current year	(9 850 535)	(8 482 794)	(9 850 535)	(8 482 794)
	-	-	-	-
VAT				
VAT receivable	5 275 361	4 349 704	5 275 361	4 349 704

All VAT returns have been submitted by the due date throughout the year.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	Group Restated 2010	Municipality Restated 2010

36. Changes in Accounting policy

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice and the aggregate effect of the changes in accounting policy with specific reference to property, plant and equipment on the annual financial statements for the year ended 30 June 2011 is as follows-

Property, Plant and Equipment

uThungulu District Municipality complied with the requirements of GRAP 17 for the first time in the 2008/2009 financial year, with the exception of assets that were transferred as a result of the municipality becoming the Water Services Authority as well as the transfer of function between uThungulu District Municipality, Departments and Local Municipalities. In line with the ASB Directives 3 and 5 of March 2009 "transitional provisions for high capacity municipalities", with specific reference to paragraph 65 of directive 3, uThungulu has employed consultants to walk through, verify and assess the transferred assets to be reflected in the asset register at Fair Value.

	R	R
Accumulated Surplus as at the 1st of July 2009 as previously reported	497 216 516	497 053 747
Adjustment:		
Change in accounting policy - GRAP 17		
Unbundling of transferred assets	229 279 665	229 279 665
	726 496 181	726 333 412
Re-stated 2009/2010 surplus	77 049 075	77 023 206
Distribution by partnership	(1773)	
Previously reported changes in accounting policy	(121617)	(121617)
	803 421 866	**803 235 001**
Movement in Property, Plant and Equipment		
Previously reported carrying value	578 209 853	578 209 853
Adjustment:	222 486 123	222 486 123
Re-stated carrying value	**800 695 976**	**800 695 976**
Movement in Depreciation		
Previously reported	23 322 675	23 322 675
Adjustment	6 793 541	6 793 541
Re-stated	**30 116 216**	**30 116 216**
Movement in Net Surplus for the year		
Previously reported as at 30 June 2010	83 816 748	83 816 748
Adjustments to depreciation	(6 793 541)	(6 793 541)
Re-stated surplus	**77 023 207**	**77 023 207**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	Group 2011	Group 2010	Municipality 2011	Municipality 2010

37. Risk management

Capital risk management

The municipality's objectives when managing capital are to safeguard the municipalities ability to continue as a going concern in order to provide returns and benefits for all stakeholders, while delivering sustainable services and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality consists of debt, which includes the long-term liabilities as disclosed in note 12, cash and cash equivalents disclosed in note 7, and equity as disclosed in the statement of financial position.

Gearing ratios

The gearing ratio as at 2011 and 2010 respectively were as follow;

Total borrowings				
Long-term liabilities - refer to note 12	91 894 540	94 176 095	116 190 588	117 671 650
Less: Cash and cash equivalents - refer to note 7	366 974 767	263 613 568	365 358 441	262 081 197
Net debt	(275 080 227)	(169 437 473)	(249 167 853)	(144 409 547)
Total equity	897 636 416	803 421 868	897 443 856	803 235 003
Total capital	**622 556 189**	**633 984 395**	**648 276 003**	**658 825 456**
	14,76%	14,85%	17,92%	17,86%

Financial risk management

Financial Risk Management Objectives
Due to the largely non-trading nature of activities and the way in which they are financed, municipalities and not exposed to the degree of financial risk faced by business entities.
The municipality's financial services function monitors and manages the financial risks relating to the operations of the municipality. These risks include credit risk and liquidity risk.

Liquidity risk

Liquidity risk refers to the ability of an entity to meet its obligations associated with financial liabilities. The municipality's liquidity risk pertains to whether funds are available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit obligations.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored. The liquidity ratio is outlined below:

Current Assets	404 142 201	304 346 601	402 525 875	302 814 230
Current Liabilities	217 767 012	158 934 372	222 670 538	163 237 104
Liquidity ratio	1,85:1	1,91:1	1,80 : 1	1,85 : 1

Interest rate risk

The municipality limits its exposure to interest rate fluctuations by only dealing with well-established financial institutions and opting for fixed interest rates rather than variable rates. There are no investments with a tenure exceeding twelve months made without Councils approval.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Debtors comprise of mainly water and sanitation users, dispersed across different industries and geographical areas. Ongoing evaluations are performed on the financial condition of these debtors and have been presented in these financial statements net of a provision for impairment. In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by " levying of penalty charges", " demand for payment", " restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Councils Credit Control and Debt Collection Policy.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	Group 2011	Group 2010	Municipality 2011	Municipality 2010
Financial assets exposed to credit risk at year end were as follows:				
Financial instrument				
Investments	320 000 000	240 000 000	320 000 000	240 000 000
Cash and cash equivalents	46 971 567	23 610 368	45 358 441	22 077 997
Consumer debtors and other debtors	24 790 404	27 759 269	24 790 404	27 759 269

38. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances.

The deviations greater than R200 000 are listed below.

Project Description				
Solid Waste : Operations and Maintenance	223 987		223 987	
VIP Sanitation project - Nkandla	5 944 530		5 944 530	
Ocean View waste water treatment plant	664 047		664 047	
Ocean View waste water treatment plant	2 952 511		2 952 511	
Massification program	361 000		361 000	
Drought relief	334 215		334 215	
Task job evaluation implementation	238 284		238 284	
District Kwanaloga games	242 600		242 600	
	10 961 175		10 961 175	
Various deviations less than R200 000	7 528 500		7 528 500	
	18 489 675		18 489 675	

39. Unauthorised, Fruitless , Wasteful and Irregular expenditure

Unauthorised expenditure - Waste management budget excess primarily as a result of provision for landfill rehabilitation	1 770 000	-	1 770 000	-

Figures in Rand	Group 2011

40. Actual operating, capital and cash flow expenditure versus budgeted operating, capital and cash flow expenditure

Description R thousands or R	2010/11								
	Original Budget	Budget Adj.	Virements	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	1	2	3	4	5	6	7	8	9
Financial Performance									
Property Rates	–	–	–	–			-	-	-
Service Charges	30 450	3 000	–	33 450	41 193	-	(7 743)	123	135
Investment Revenue	23 653	(1 000)	–	22 653	24 297	-	(1 644)	107	103
Transfers recognized - operational	299 620	38 153	–	337 773	282 180	-	55 593	84	94
Other own Revenue	22 593	78 787	–	101 380	7 731	-	93 649	8	34
Total Revenue (excl cap transfers and contributions)	**376 316**	**118 940**	**–**	**495 256**	**355 401**	**–**	**139 855**	**72**	**94**
Employee costs	107 330	(9 555)	(280)	97 495	86 623	-	(10 872)	89	81
Remuneration of Councillors	7 165	–	–	7 165	5 492	-	(1 673)	77	77
Debt Impairment	2 777	–	–	2 777	6 436	-	3 659	232	232
Depreciation & Asset Impairment	15 318	17 000	–	32 318	39 086	-	6 768	121	255
Finance Charges	15 117	–	–	15 117	6 956	-	(8 161)	46	46
Materials and bulk purchases	17 189	5 500	1 800	24 489	24 470	-	(19)	100	142
Transfers and grants	2 251	–	5 452	7 703	6 031	-	(1 672)	78	268
Other Expenditure	186 279	70 838	(8 292)	248 825	189 563	-	(59 262)	76	102
Total Expenditure	**353 426**	**83 783**	**(1 320)**	**435 889**	**364 658**	**-**	**(71 231)**	**84**	**103**
Surplus / (Deficit)	**22 890**	**35 157**	**1 320**	**59 367**	**(9 257)**	**-**	**68 624**	**48**	**124**
Transfers recognized - capital	125 756	48 773	840	175 369	103 908	-	(71 461)	59	83
Contributions recognised - capital and contributed assets	–	–	–	–			-	-	-
Surplus / (Deficit) after capital transfers and contributions	148 646	83 930	2 160	234 736	94 651	-	(140 085)	40	64
Share of surplus / (deficit) of associate				–	(29)		29	-	-
Surplus / (Deficit for the year)	148 646	83 930	2 160	234 736	94 622	-	(140 056)	40	64
Capital expenditure & fund sources									
Capital Expenditure									
Transfers recognized - capital	125 756	48 773	840	175 369	103 908	-	(71 461)		
Public contributions & donations	–	–	–	–					
Borrowing	–	23 309	–	23 309	3 917	-		0	-
Internally generated funds	22 890	11 848	1 320	36 058					
Total sources of capital funds	**148 646**	**83 930**	**2 160**	**234 736**	**103 912**	**-**	**(130 824)**	**44**	**70**
Cash flows									
Net cash from (used) operating	232 148	98 935		331 083	202 181		(128 902)	61	87
Net cash from (used) investing	(197 958)	(98 935)		(296 893)	(96 538)		200 355	33	49
Net cash from (used) financing	644	–		644	(2 282)		(2 926)	(354)	(354)
Net (decrease) / increase in cash and cash equivalents	34 834	–	–	34 834	103 361	-	68 527	297	297
Cash and cash equivalents at the beginning of the year	295 970			295 970	263 614		(32 356)	89	89
Cash and cash equivalents at the end of the year	330 804			330 804	366 975		36 171	111	111

APPENDIX A

GROUP

UTHUNGULU DISTRICT MUNICIPALITY: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2011

	Redeemable Rand	Balance at 30 June 2010 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2011 Rand
LONG-TERM LOANS					
INCA @ 13.95%	12/31/2014	21 000 000	-	-	21 000 000
		21 000 000	**-**	**-**	**21 000 000**
ANNUITY LOAN					
INCA @ 11.95%	06/30/2023	28 418 154		994 993	27 423 161
ABSA @ 12.6%	06/30/2024	44 757 943		1 286 562	43 471 381
		73 176 097	**-**	**2 281 555**	**70 894 542**
TOTAL EXTERNAL LOANS					
LONG -TERM LOANS		21 000 000		-	21 000 000
ANNUITY LOAN		73 176 097	-	2 281 555	70 894 542
LEASE LIABILITY		-	-	-	-
		94 176 097	**-**	**2 281 555**	**91 894 542**

APPENDIX A Continued

MUNICIPALITY

UTHUNGULU DISTRICT MUNICIPALITY: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2011

	Redeemable Rand	Balance at 30 June 2010 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2011 Rand
LONG-TERM LOANS					
INCA @ 13.95%	12/31/2014	21 000 000	-	-	21 000 000
		21 000 000	**-**	**-**	**21 000 000**
ANNUITY LOAN					
INCA @ 11.95%	06/30/2023	28 418 154		994 993	27 423 161
ABSA @ 12.6%	06/30/2024	44 757 943		1 286 562	43 471 381
		73 176 097	**-**	**2 281 555**	**70 894 542**
LEASE LIABILITY					
Leased Property @ 23.8%	03/31/2017	23 495 555	800 493	-	24 296 048
		23 495 555	**800 493**	**-**	**24 296 048**
TOTAL EXTERNAL LOANS					
LONG -TERM LOANS		21 000 000		-	21 000 000
ANNUITY LOAN		73 176 097	-	2 281 555	70 894 542
LEASE LIABILITY		23 495 555	800 493	-	24 296 048
		117 671 652	**800 493**	**2 281 555**	**116 190 590**

APPENDIX B
GROUP AND MUNICIPALITY
UTHUNGULU DISTRICT MUNICIPALITY : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2011

	Cost/Revaluation					Accumulated Depreciation & Impairment					Carrying Value
	Opening Balance	Capitalisations	Additions	Disposal	Closing Balance	Opening Balance	Disposals	Current	Impairments	Closing Balance	
Infrastructure - In Construction											
Water Mains and purification	222 460 730	-30 231 109	110 576 379		333 037 109	-	-	-	-	-	333 037 109
	222 460 730	**-30 231 109**	**110 576 379**	**-**	**333 037 109**	**-**	**-**	**-**	**-**	**-**	**333 037 109**
Infrastructure											
Infrastructure Land Servitudes	32 099 927	310 054			32 099 927	-5 118 977	-	-1 022 460		-6 141 437	25 958 490
Infrastructure Solid Waste Services	60 495 831				60 495 831	-8 271 077	-	-7 579 939		-15 851 016	44 644 815
Infrastructure Sewerage Services	31 646 728	647 478			31 646 728	-4 890 417	-	-654 185	-235 589	-5 780 191	25 866 537
Infrastructure Water Services	454 812 012	28 722 878			454 812 012	-78 788 169	-	-20 213 250	-1 303 202	-100 304 621	354 507 391
Infrastructure Plant and Equipmen	26 483 091	550 699			26 483 091	-8 752 295	-	-1 663 457		-10 415 752	16 067 339
Infrastructure Electricity	-				-	-				-	-
											-
	605 537 589	**30 231 109**	**-**	**-**	**605 537 589**	**-105 820 935**	**-**	**-31 133 291**	**-1 538 791**	**-138 493 017**	**467 044 572**
Other assets in construction											-
Other assets in construction	743 219		4 258 787		5 002 006	-	-	-	-	-	5 002 006
	743 219		**4 258 787**	**-**	**5 002 006**	**-**	**-**	**-**	**-**	**-**	**5 002 006**

Other assets											
Motor Vehicles	11 813 674			-2 605 624	9 208 050	-5 470 917	1 954 565	-1 508 271	-	-5 024 623	4 183 427
Computer Equipment	5 825 856		1 303 774	-192 849	6 936 781	-3 174 149	158 598	-899 587	-	-3 915 138	3 021 643
Land and Buildings	64 558 762			-	64 558 762	-3 858 100	-	-1 966 393	-	-5 824 493	58 734 269
Office Equipment	4 641 051		301 403	-78 159	4 864 295	-1 645 148	69 146	-1 108 279	-	-2 684 281	2 180 014
Furniture	3 197 207		236 527	-4 620	3 429 114	-1 266 650	4 431	-296 195	-	-1 558 414	1 870 700
Plant and Equipment	3 967 882		98 412	-26 770	4 039 524	-814 289	3 465	-559 022	-	-1 369 846	2 669 678
											-
					-						-
	94 004 432		**1 940 116**	**-2 908 022**	**93 036 526**	**-16 229 253**	**2 190 205**	**-6 337 747**	**-**	**-20 376 795**	**72 659 731**
Total carried forward	922 745 970		116 775 282	-2 908 022	1 036 613 230	-122 050 188	2 190 205	-37 471 038	-1 538 791	-158 869 812	877 743 418
INTANGIBLE ASSETS	2 386 028		203 524	-	2 589 552	-2 323 407	-	-76 625	-	-2 400 032	189 520
TOTAL	925 131 998		116 978 806	-2 908 022	1 039 202 782	-124 373 595	2 190 205	-37 547 663	-1 538 791	-161 269 844	877 932 938

APPENDIX C
GROUP AND MUNICIPALITY
UTHUNGULU DISTRICT MUNICIPALITY : SEGMENTAL ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2011

	Cost/Revaluation					Accumulated Depreciation							Carrying
	Opening Balance	Capitalisations Rand	Additions Rand	Disposal Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Current Rand	Closing Balance	Impairment Opening Balance Rand	Impairment Additions Rand	Impairment Closing Balance Rand	Value
Executive & Council	11 510 372	-	57 769	-18 274	11 549 867	-864 885	15 131	-818 859	-1 668 613	-	-		9 881 254
Finance & Admin	105 525 617	-	5 819 506	-171 150	111 173 973	-7 973 459	153 680	-5 581 006	-13 400 785	-	-	-	97 773 188
Planning & Development	11 081 649	-	17 660	-4 558	11 094 751	-306 304	4 555	-761 311	-1 063 060	-	-	-	10 031 691
Community & Social Services	4 363 303	-	47 427	-29 632	4 381 098	-507 640	6 572	-214 470	-715 538	-	-	-	3 665 560
Public Safety	5 617 760	-	1 355	-	5 619 115	-1 375 014	-	-829 727	-2 204 741	-	-	-	3 414 374
Waste Management	74 211 196	-	-7 236	-	74 203 960	-13 172 060	-	-8 294 730	-21 466 790	-	-	-	52 737 170
Water	706 187 059	-	110 779 280	-2 684 408	814 281 931	-96 630 599	2 010 267	-20 861 629	-115 481 961	-685 906	-1 538 791	-2 224 697	696 575 273
Waste Water	4 249 014	-	59 521	-	4 308 536	-534 321		-109 305	-643 626	-	-	-	3 664 910
													-
	922 745 970	-	116 775 282	-2 908 022	1 036 613 231	-121 364 282	2 190 205	-37 471 037	-156 645 114	-685 906	-1 538 791	-2 224 697	877 743 420

INTANGIBLE ASSETS

Finance & Admin	2 379 718	-	169 717	-	2 549 435	-2 319 430	-	-71 861	-2 391 291	-	-	-	158 144
Planning & Development	6 310	-	-	-	6 310	-3 976	-	-2 153	-6 129	-	-	-	181
Water	-	-	33 807	-	33 807		-	-2 611	-2 611	-	-	-	31 196
	2 386 028	-	203 524	-	2 589 552	-2 323 406	-	-76 625	-2 400 031	-	-	-	189 521

GRAND TOTAL:	925 131 998	-	116 978 806	-2 908 022	1 039 202 783	-123 687 688	2 190 205	-37 547 662	-159 045 145	-685 906	-1 538 791	-2 224 697	877 932 941

APPENDIX D

UTHUNGULU DISTRICT MUNICIPALITY: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011

GROUP

2010 Actual Income Year to date Rand	2010 Actual Expenditure Year to date Rand	2010 Surplus / (Deficit) Rand		2011 Actual Income Year to date Rand	2011 Actual Expenditure Year to date Rand	2011 Surplus / (Deficit) Rand
-	25 810 143	(25 810 143)	Executive & Council	-	26 696 156	-26 696 156
344 337 974	35 991 098	308 346 876	Finance & Admin	295 461 361	35 243 364	260 217 996
-	70 862 718	(70 862 718)	Planning & Development	-	8 664 553	-8 664 553
807 504	6 598 462	(5 790 958)	Community & Social Services	316 109	9 309 019	-8 992 910
-	8 572 756	(8 572 756)	Public Safety	-	5 526 239	-5 526 239
-	4 326 116,5	(4 326 117)	Environmental Protection	13 779 693	4 450 543	9 329 149
5 068 153	9 598 929	(4 530 776)	Waste Management	7 239 081	18 615 268	-11 376 187
155 986	245 357	(89 371)	Electricity	-	-	-
3 295 452	17 135 315	(13 839 863)	Waste Water	3 513 026	15 181 323	-11 668 297
120 044 663	217 545 631	(97 500 968)	Water	138 999 908	241 000 470	-102 000 561
473 709 732	**396 686 526**	**77 023 207**		**459 309 178**	**364 686 935**	**94 622 243**

APPENDIX D Continued

UTHUNGULU DISTRICT MUNICIPALITY: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011

MUNICIPALITY

2010 Actual Income Year to date Rand	2010 Actual Expenditure Year to date Rand	2010 Surplus / (Deficit) Rand		2011 Actual Income Year to date Rand	2011 Actual Expenditure Year to date Rand	2011 Surplus / (Deficit) Rand
-	25 810 143	(25 810 143)	Executive & Council	-	26 696 156	-26 696 156
349 915 175	41 568 299	308 346 876	Finance & Admin	301 175 124	40 957 127	260 217 997
-	70 862 718	(70 862 718)	Planning & Development	-	8 664 553	-8 664 553
807 504	6 598 462	(5 790 958)	Community & Social Services	316 109	9 309 019	-8 992 910
-	8 572 756	(8 572 756)	Public Safety	-	5 526 239	-5 526 239
-	4 326 116,5	(4 326 117)	Environmental Protection	13 779 693	4 450 543	9 329 149
5 068 153	9 598 929	(4 530 776)	Waste Management	7 239 081	18 615 268	-11 376 187
155 986	245 357	(89 371)	Electricity	-	-	-
3 295 452	17 135 315	(13 839 863)	Waste Water	3 513 026	15 181 323	-11 668 297
120 044 663	217 545 631	(97 500 968)	Water	138 999 908	241 000 469	-102 000 560
479 286 933	**402 263 727**	**77 023 207**		**465 022 941**	**370 400 696**	**94 622 245**

APPENDIX E(1)

GROUP

UTHUNGULU DISTRICT MUNICIPALITY: ACTUAL VERSES BUDGET (REVENUE & EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2011

	2011 Actual Bal Rand	2011 Bud Amount Rand	2011 Variance Rand	2011 Variance	Explanation of Significant Variance greater than 10% versus Budget
Revenue					
Service Charges	41 193	33 450	**7 743**	23%	Increased consumptions and new schemes metered.
Interest Earned - External Investments	24 241	22 653	**1 588**	7%	
Interest Earned - Outstanding Debtors	56	-	**56**	100%	Interest on late payments is not budgeted for.
Government Grants and Subsidies	386 088	512 302	**(126 214)**	-25%	Projects in progress expenditure is committed.
Other Income	7 731	20 126	**(12 395)**	-62%	Budget includes depreciation.
	459 309	**588 531**	**(129 222)**	**-22%**	
Expenses					
Executive & Council	26 696	27 830	**1 134**	4%	
Finance & Admin	35 243	51 702	**16 459**	32%	General Savings.
Planning & Development	8 664	23 686	**15 022**	63%	Savings due to vacant positions and multi year projects.
Community & Social Services	9 309	10 218	**909**	9%	
Public Safety	5 526	7 877	**2 351**	30%	General Savings.
Environmental Protection	4 451	11 406	**6 955**	61%	Devolution of Environmental Health Services not yet finalized.
Waste Management	18 615	16 845	**-1 770**	-11%	Rehabilitation provision
Electricity	-	100	**100**	100%	Function transferred.
Waste Water	15 181	29 782	**14 601**	49%	Multi year projects committed.
Water	241 000	257 761	**16 761**	7%	
	364 685	**437 207**	**72 522**	**17%**	

APPENDIX E1 Continued

MUNICIPALITY

UTHUNGULU DISTRICT MUNICIPALITY: ACTUAL VERSES BUDGET (REVENUE & EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2011

	2011 Actual Bal Rand	2011 Bud Amount Rand	2011 Variance Rand	2011 Variance	Explanation of Significant Variance greater than 10% versus Budget
Revenue					
Service Charges	41 193	33 450	**7 743**	23%	Increased consumptions and new schemes metered.
Interest Earned - External Investments	24 150	22 653	**1 497**	7%	
Interest Earned - Outstanding Debtors	56	-	**56**	100%	Interest on late payments is not budgeted for.
Government Grants and Subsidies	386 088	512 302	**(126 214)**	-25%	Projects in progress expenditure is committed.
Other Income	13 536	20 126	**(6 590)**	-33%	Budget includes depreciation.
	465 023	**588 531**	**(123 508)**	**-21%**	
Expenses					
Executive & Council	26 696	27 830	**1 134**	4%	
Finance & Admin	40 957	51 702	**10 745**	21%	General Savings.
Planning & Development	8 664	23 686	**15 022**	63%	Savings due to vacant positions and multi year projects.
Community & Social Services	9 309	10 218	**909**	9%	
Public Safety	5 526	7 877	**2 351**	30%	General Savings.
Environmental Protection	4 451	11 406	**6 955**	61%	Devolution of Environmental Health Services not yet finalized.
Waste Management	18 615	16 845	**-1 770**	-11%	Rehabilitation provision
Electricity	-	100	**100**	100%	Function transferred.
Waste Water	15 181	29 782	**14 601**	49%	Multi year projects committed.
Water	241 000	257 761	**16 761**	7%	
	370 399	**437 207**	**66 808**	**15%**	

APPENDIX E(2)
GROUP AND MUNICIPALITY

UTHUNGULU DISTRICT MUNICIPALITY: ACTUAL VERSES BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2011

Property, Plant & Equipment	Additions Rand	Under Construction Rand	Total Additions Rand	Budget Rand	Variance Rand	Variance %	Explanation of Significant Variances greater then 20% versus Budget
Executive & Council	57 769		**204 674**	210 000	5 326	3%	
Finance & Administration	1 738 716	4 250 507	**5 842 318**	7 318 648	1 476 330	20%	
Planning & Development	17 660		**17 660**	80 000	62 340	78%	Vacancy
Environmental Health	-	-	**-**	784 000	784 000	100%	Devolution of EHS not yet finalized.
Community & Social Services	39 147	1 418 096	**1 457 243**	2 433 611	976 368	40%	Multi year projects
Public Safety	1 355		**1 355**	18 876	17 521	93%	In progress
Water	288 993	109 114 278	**109 403 271**	212 878 258	103 474 987	49%	Multi year projects
Waste Management	-	-7 236	**-7 236**	852 870	860 106	101%	Multi year projects
Waste Water	59 521		**59 521**	8 000 000	7 940 479	99%	Multi year projects
	2 203 161	**114 775 645**	**116 978 806**	**232 576 263**	**115 597 457**	**50%**	

APPENDIX F
GROUP AND MUNICIPALITY
UTHUNGULU DISTRICT MUNICIPALITY - DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 2003

Name of Grants & Vote	Name of organ of state or municipal entity	QUARTERLY RECEIPTS					QUARTERLY EXPENDITURE				
		Mar '10	June '10	Sept '10	Dec '10	Mar '11	Mar '10	June '10	Sep '10	Dec '10	Mar '11
Disaster Management (Grant)	DTLGA						138 966,00	71 136,00		141 346,69	
Disaster Management (Centre)	DTLGA						3 249,00	2 223,00			
Review of Waste management plan	DEAT									256 143,20	
Development Planning Shared Services	DTLGA							187 500,00			
Planning Shared Services Internal Fixed Assets	DTLGA							14 085,53			
IDP Revision	DTLGA										
210 Multi Purpose Sport Stadium	DTLGA						(1 027 964,68)				
MIIP Grant	DTLGA										194 737,00
SHARED SERVICES	DTLGA						124 155,26	49 330,00			
Local Government Finance Grant	National Treasury			1 000 000			88 682,83	192 647,58	93 270,20	174 139,85	305 686,06
Finance Interns - Op Projects (Budget Cycle)	National Treasury										93 780,00
Inkandla Swimming Pool	DSR							12 181,00			
MSIG	COGTA			750 000			129 290,51	301 590,57	20 800,00		7 965,00
Masification Program Grant	COGTA					361 000					
Intergovernment Relations Grants	COGTA			100 000							
Establishment & Implementation IDP Chart	COGTA			317 000							
Shared Services - Fire Fighting	COGTA				1 750 000						1 750 000,00
Asset Care Centre	COGTA							35 775,39			365 000,00
Fire Fighting Equipment	DTLGA						(280 543,46)				
Corridor Development	DTLGA						966 482,09	247 325,09	303 317,11	99 404,18	229 308,16
Consolidate prior Grants (Planning 07/08)	DTLGA						51 628,00	9 708,40		27 943,68	187 096,83
Technical Support Infra Backlog MIIPS	DTLGA						(359 735,58)	65 099,00			123 656,92
Construction of Transfer Stations (Mthonj)	DTLGA							(57 538,66)	49 392,02		(10 193,12)
Planning - Uthungulu Regional Council	DTLGA						421 023,08	141 994,09	16 688,26		172 800,00
Regional Bulk Water Scheme	DTLGA						488 745,58	157 051,91	630 448,79	276 291,48	440 073,34
Planning Shared Services (I &E)	DTLGA						131 503,80	121 954,38	139 301,60	144 295,02	(1 505,19)
Agriculture - North East Region Grant	DTLGA							1 088,00			
Inkandla Hospital	DTLGA							86 423,00			
Sanitation -UDM	DWAF						60 589,88	(720 774,06)		11 532,00	
Section 78 Capacity Assessment	DTLGA							63 560,00			
Issue Manager	DWAF	31 800	23 200	23 200	23 200	23 220	60 175,00		70 103,06		
Foskor	FOSKOR										
Municipal Dev. Information Service	DTLGA	250 000					66 267,00	38 910,32			
Strategic Support	DTLGA	250 000					25 992,00	4 764,26			
Water Purification Plant	DTLGA							1 146 800,00			
Greater Mthonjaneni Reticulation	DWAF	1 213 000		43 900	807 600	3 891 600	5 011 020,21	2 429 718,25		2 786 455,44	6 572 921,88
Backlog (Intergrated Dev Infrastr - Capacity Build)	DWAF							90 000,00			
Consolidate prior Grants (Sanitation Dwaf)	DWAF							275 000,00		99 843,48	
Institutional Support & Capacity Building Grant 07/08	DWAF						62 558,20	(567 356,40)			
Waste Management View area	DA		200 000					10 292,50	12 000,00		
Foskor - HIV AIDS Donation	FOSKOR						34 485,00	38 400,00	16 929,00		
Umhlatuze 2010 Sport Stadium	Umhlatuze						17 934 347,64	1 985 652,38			
KZN Treasury-Gaming Levies	Provincial Treasury	577 000				584 069	48 113,70	15 521,93			86 025,33
Asset Data Collection	Provincial Treasury										
Community Upliftments	Provincial Treasury									15 552,63	810,00
Ocean View Project	Public Works						197 487,91	(1 732 612,40)			
CBPWP (Public Works Advance)	Public Works							55 028,12			
EPWP Encentive Grant	Public Works	351 950		222 500	484 000	1 041 000			2 836,60	10 251,29	
		2 673 750	223 200	2 456 600	3 064 800	5 900 889	24 376 518,97	4 772 479,18	1 355 086,64	4 043 198,94	10 518 162,21

REPORT OF THE AUDIT COMMITTEE
FOR THE YEAR ENDED 30 JUNE 2011

PURPOSE

The audit committee serves as an independent body which advises the municipal council, the political office bearers, accounting officer and the management staff of the municipality on matters relating to;

- Internal financial control and internal audits
- Risk management
- Accounting policies
- Adequacy, reliability and accuracy of financial reporting and information
- Effective governance
- Compliance with the Municipal Finance Management Act No 56 of 2003, the annual Division of Revenue Act and any other applicable legislation
- Any issues referred to it by the municipality

In addition, the committee must review the annual financial statements to provide council of the municipality with an authoritative and credible view of the financial position of the municipality, its efficiency and effectiveness and its overall level of compliance with applicable municipal legislation.

We present our report for the year ended 30 June 2011.

AUDIT COMMITTEE MEMBERS AND ATTENDANCE

The audit committee has adopted appropriate formal terms of reference as its audit committee charter and consisted of three independent, suitably experienced and outside members as outlined below;

COMPOSITION AND ATTENDANCE:

Members Name	Qualifications	Designation	Meeting Attendance			
			23/10/10	22/11/10	04/03/10	30/06/11
H. Oosthuizen	CA(SA)	Chairperson	✓	✓	✓	✓
I. Simjee	CA(SA)	Member	✓	✓	✓	✓
M. Nkopane	MBL, BCOM,MAP	Member	Apology received	✓	Apology received	✓

The Municipal Manager, Deputy Municipal Manager, Chief Financial Officer and Executive Directors: Corporate Services, Technical Services, and representatives from both external and internal auditors attend the committee meetings.

AUDIT COMMITTEE RESPONSIBILITIES

The committee has complied with its responsibilities arising from section 166(2) b of the Municipal Finance Management Act No 56 of 2003
The committee also has complied, as far as possible; with its responsibilities set out in its Council approved terms of reference and has discharged its responsibilities contained therein.

EFFICIENCY AND EFFECTIVENESS OF INTERNAL CONTROLS

The municipalities system of internal controls is designed to provide cost effective assurance that assets are safeguarded and that liabilities and working capital are effectively managed. In line with the Municipal Finance Managements Act and the King 11 and 111 Reports on Corporate Governance requirements, Internal Audit and the Auditor Generals report provide the Audit Committee and management with assurance that the internal controls of the Municipality are appropriate and effective. This is achieved by means of a risk review process, testing of controls, as well as identification of corrective actions and suggested enhancements to controls and processes. From the various reports of the Internal Auditors, the audit report of the annual financial statements, and the management letter of the Auditor General, it is noted that no significant material or non compliance with prescribed policies and procedures have been reported. Accordingly, the audit committee can report that the system of internal controls for the period under review appears efficient and effective.

Report of the Audit Committe (continued)

REVIEW OF THE ANNUAL FINANCIAL STATEMENTS

The Audit Committee has noted the unqualified opinion expressed by the Auditor-General in his report on the Annual Financial Statements and commends management with regard to the preparation and presentation of these financial statements for the year under review

The audit committee has also;

- Reviewed and discussed the audited Annual Financial Statements, to be included in the annual report, with the Auditor General, management and the accounting officer;
- Reviewed the Auditor Generals management letter and management responses therto;
- Reviewed changes in accounting policies and practices;
- Reviewed significant adjustments resulting from the audit and
- Concluded that the going concern premise is appropriate in preparing the Annual Financial Statements

RISK ASSESSMENT AND MANAGEMENT

The Committee has been encouraged by efforts and commitment of management in putting in place effective strategies and plans for risk assessment and management by all its directorates. This management responsibility will continue to be monitored on an ongoing basis by the Committee.

Performance Management

The Committee has taken note of the findings of the Auditor-General on performance information during the year under review. The issue of compliance with all regulatory requirements on performance information and management will be monitored closely by the Committee.

CONCLUSION

The audit committee concurred with and accepted the Auditor General's conclusions on the Annual Financial Statements for the year ended 30 June 2011 and recommends that the audited Annual Financial Statements be adopted by the Council of this Municipality.

H. Oosthuizen
Chairperson

December 2011

Oversight Report

1. INTRODUCTION

1.1 Section 129(1) of the Municipal Finance Management Act, Act 56 of 2003 requires the Council of a municipality to consider the Annual Report by not later than two months after the annual report was tabled in Council.

1.2 Council is further required to adopt an Oversight Report containing Council's comment on the Annual Report.

1.3 The final Audit Report for the 2010/2011 financial year was officially received on the 02 December 2011, reporting that the District Municipality had received an unqualified Audit Report and the opinion is as follows :

"In my opinion, the consolidated and separate financial statements present fairly, in all material respects, the financial position of the Uthungulu District Municipality and its subsidiaries as at 30 June 2011 and its financial performance and cash flows for the year then ended in accordance with SA Standards of GRAP and the requirements of the MFMA and DORA."

1.4 Council deliberated on the Annual Report and the audited Consolidated Annual Financial Statements on 20 December 2011 and 25 January 2012 respectively, and made recommendations and comments which have been effected in the final draft annual report.

2. MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC)

The following members serve on the MPAC (Municipal Public Accounts Committee) and have been tasked to finalise the Oversight Report and present it to Council.

Cllr N Naidoo (Chair)

Cllr M Mnqayi

Cllr N Mthalane

Cllr D Mfusi

Cllr IJ Naidoo

Cllr TA Ntuli

Cllr N Mlaba

Cllr LW Fourie

3. 2010/2011 ANNUAL REPORT

3.1 The community was advised through the print media on 16 January 2012 that the Audited Consolidated Annual Financial Statements will be discussed at a Special Council meeting to be held on 25 January 2012.

3.2 The 2010/2011 Annual Report was approved by Council on 20 December 2011.

3.3. The MPAC noted that the draft unqualified Audit Report for the financial year ending 30 June 2011 was tabled at a joint meeting between the Office of Auditor General, the Speaker, Members of the Executive Committee, Audit Chairperson, MPAC Chairperson, Internal Audit – PWC and members from management, held on the 17th November 2011, where all matters relating were discussed

and resolved.

3.4. Subsequent to this meeting no further significant matters were raised by the AG with exception of expenditure relating to the top-up of the provision of the land-fill site rehabilitation, in accordance with GRAP, which was in excess of the budget by R1,770m.

3.5 On the 2 December 2011, the Office of the Auditor General at a hand over ceremony in Pietermaritzburg presented the 2010/11 Unqualified Audit Report.

4. RECOMMENDATIONS OF THE MPAC

4.1. The Unqualified Audit Report for uThungulu District Municipality for 2010/11 annual financial statements, received from the Office of the Auditor General be noted.

4.2. The expenditure of R1,770m in excess of the budget for the provision for the rehabilitation of the land-fill site in accordance with the GRAP standards which municipalities must conform to, be condoned and recommended to Council for approval.

4.3. The Final Draft of uThungulu Annual Report for the 2010/11 financial year be recommended to Council for approval.

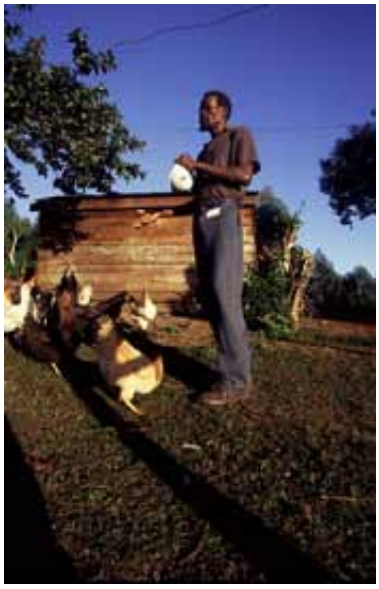
4.4. It be noted that the uThungulu District Municipality again received the Certificate of Recognition award from KZN COGTA for 2011/12 for consistently remaining for five years, amongst the Top IDP Achievers in the KZN Province, for the period 2007/2008 to 2011/2012.

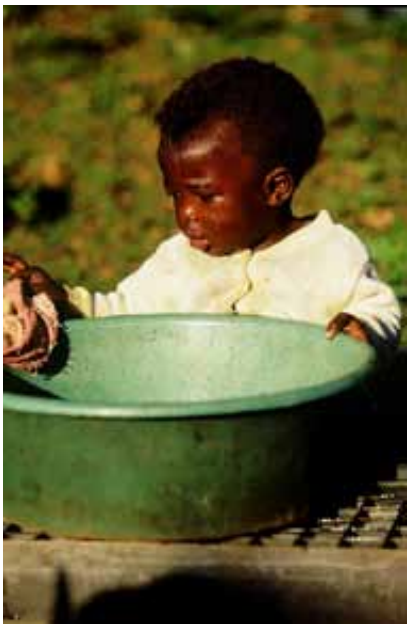
4.5. The 2010/11 Performance Bonuses for Section 56 Managers, for the financial year ending 30 June 2011, be paid in accordance to the Internal Audit Review carried out by Messrs. PWC in respect of the Performance Bonus calculations, to the Deputy Municipal Manager, Mr. DP Lubbe and Chief Financial Officer, Mrs. MC Reddy subject to the Performance Audit Committee applying their minds on it.

5. CONCLUSION

The uThungulu Council approved the 2010/2011 Annual Report without reservation.

ALUMINIUM





UTHUNGULU

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This annual report was produced by the
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